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Proposed Counsel to the Debtor and Debtor in Possession

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

LLADRO GALLERIES, INC.,

Debtor.

Chapter 11

Case No. _____

(Subchapter V)

**DECLARATION OF VICENTE NAVARRO PURSUANT TO
LOCAL BANKRUPTCY RULE 1007-2 IN SUPPORT OF FIRST-DAY MOTIONS**

I, Vicente Navarro, declare as follows pursuant to 28 U.S.C. § 1746:

1. I am the Secretary of Lladro Galleries, Inc., the debtor in this chapter 11 case (the “**Debtor**”).¹ I am familiar with the Debtor’s day-to-day operations, business affairs, and books and records. I submit this declaration (“**Declaration**”) pursuant to Rule 1007-2 of the Local Bankruptcy Rules for the Southern District of New York (“**Local Bankruptcy Rules**”) to assist the Court and other parties in interest in understanding the circumstances that compelled the commencement of this chapter 11 case and in support of (i) the Debtor’s petition for relief

¹ The last four digits of the Debtor’s federal tax identification number are 6345. The Debtor’s mailing address and principal place of business is 979 Third Avenue, New York, NY 10022.

under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”) filed on July __, 2020 (the “**Petition Date**”) and (ii) the relief requested in the motion for rejection of unexpired leases that the Debtor has requested of the Court (the “**First Day Pleading**”).

2. The Debtor has ceased the active conduct of retail sale operations at its four United States locations and intends to liquidate its assets and distribute the proceeds thereof to unsecured creditors pursuant to a liquidating chapter 11 plan of reorganization. The First Day Pleading is intended to avoid unnecessary expense to the estate.

3. Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, my discussions with members of the Debtor’s senior management and advisors, my review of relevant documents and information concerning the Debtor’s operations and financial affairs, or my opinion based upon my experience and knowledge. If called upon, I would testify to the facts set forth in this Declaration, which I am authorized to submit on behalf of the Debtor. The information below is provided in accordance with Local Bankruptcy Rule 1007-2.

Nature of the Debtor’s Business and Circumstances Leading to the Filing

4. The Debtor is a New York corporation, 60% of which is held directly by Lladro, S.A., a Spanish company and 40% is held by Tesorval, S.A., a wholly owned subsidiary of Lladro, S.A.. Formed by three brothers in 1953, Lladro, S.A. is an international leader in the design, manufacturing and distribution of porcelain figurines and fixtures. Prior to the Petition Date, the Debtor sold product provided by Lladro, S.A. out of four retail locations in the United States: Cabazon, CA, New York City, Williamsburg, VA, and Woodbury, NY. The Debtor has operated at a loss for each of the last three years and currently owes approximately \$2.9 million to Lladro, S.A. on account of unpaid inventory. Whatever prospect of recovery remained prior

to Covid-19 has been eliminated by the pandemic, and the Debtor has ceased operating its retail locations.

Holders of Unsecured Claims

5. Schedule 1 hereto is a list of the names, addresses, amounts and nature of claims held by the Debtor's 17 largest unsecured creditors, excluding insiders.

Holders of Secured Claims

6. There are no creditors holding secured claims against the Debtor.

Summary of Assets and Liabilities

7. As of May 31, 2020, the Debtor has total assets of approximately \$78,000 and total liabilities of approximately \$4,435,427.

Business Premises

8. The Debtor leases premises at four locations:

- a. Desert Hills Premium Outlets
48400 Seminole Drive, Suite 1140
Cabazon, CA 92230
- b. Omni Berkshire Place Hotel
500 Madison Avenue
New York, NY 10022
- c. Williamsburg Premium Outlets
Williamsburg, VA 23188
- d. Woodbury Common Premium Outlets
Woodbury, NY 10917

Location of Assets, Books and Records

9. The Debtor's substantial assets and books and records are maintained at 979 Third Avenue, Suite 9805, New York, NY 10022. The Debtor holds no assets outside the territorial limits of the United States.

Pending or Threatened Lawsuits

10. The Debtor is a defendant in an action styled Williamsburg Outlets, LLC v. Lladro Galleries, Inc. in the state courts of Virginia. [Case No. 20000395-00, General District Court for James City County] .

Senior Management

11. The Debtor's existing senior management are:
- a. Fernando Gallego, Chief Executive Officer
 - b. Vicente Navarro, Secretary.
 - c. Christina Pagano, Director of Operations.

Additional Information

12. The Debtor does not intend to continue to operate its retail locations after the Petition Date.

Summary of First-Day Motion

13. The Debtor has two First Day Pleadings, its Omnibus Motion for Authority to Reject Certain Unexpired Leases Pursuant to Section 365 of the Bankruptcy Code (the "**Lease Rejection Motion**") and an application to retain counsel. As described further in the Lease Rejection Motion, the Debtor is party to certain unexpired leases (the "**Leases**") governing premises (the "**Premises**") used by the Debtor prior to the Petition Date as its four retail stores. The Lease Rejection Motion seeks to reject these leases and to abandon property no longer needed due to the closing of these stores.

14. Because the Debtor is no longer operating, the Leases are unnecessary to the Debtor's estate. The Leases have no value to the estate, and rejection is therefore appropriate in order to relieve an undue burden on the estate. In connection with rejection of the Leases, the

Debtor will surrender possession of the Premises to its respective landlords as soon as practical after the Petition Date. By rejecting the Leases at this time, the Debtor will avoid incurring unnecessary administrative expenses that would provide no benefit to the estate. The resulting savings from the rejection of the Leases will increase recoveries to unsecured creditors under the Debtor's proposed liquidating chapter 11 plan. In the current environment, the Leases have no market value, i.e., they could not be assigned to a third party for value. Accordingly, rejection of the Leases represents an exercise of the Debtor's sound business judgment and is in the best interest of the Debtor's estate and creditors.

15. The Debtor intends to remove inventory and certain of the furniture, fixtures and equipment from the Premises, but certain of these assets (the "**Remaining Property**") will be exceedingly difficult or expensive to remove or store. The Debtor estimates that the value of the Remaining Property is de minimis and that the Debtor will therefore realize no economic benefit from retaining the Remaining Property. Accordingly, the Debtor is requesting authority to abandon any Remaining Property at the Premises associated with the Leases.

16. The Debtor also seeks authority to retain Nelson Mullins Riley & Scarborough, LLP to represent it in connection with these proceedings for the reasons set forth in the application.

I declare under penalty of perjury that the foregoing is true and correct.

Executed at _____ on _____, 2020.

/s/

Vicente Navarro



Schedule 1 – Unsecured Creditors

A handwritten signature in blue ink, consisting of several loops and a vertical stroke, located on the left side of the page.

See attached Form 204.

Fill in this information to identify the case:Debtor name Lladro Galleries, Inc.United States Bankruptcy Court for the: Southern District of NY
(State)Case number (If known): 20-11618☐ Check if this is an amended filing**Official Form 204****Chapter 11 or Chapter 9 Cases: List of Creditors Who Have the 20 Largest Unsecured Claims and Are Not Insiders**

12/15

A list of creditors holding the 20 largest unsecured claims must be filed in a Chapter 11 or Chapter 9 case. Include claims which the debtor disputes. Do not include claims by any person or entity who is an *insider*, as defined in 11 U.S.C. § 101(31). Also, do not include claims by secured creditors, unless the unsecured claim resulting from inadequate collateral value places the creditor among the holders of the 20 largest unsecured claims.

	Name of creditor and complete mailing address, including zip code	Name, telephone number, and email address of creditor contact	Nature of the claim (for example, trade debts, bank loans, professional services, and government contracts)	Indicate if claim is contingent, unliquidated, or disputed	Amount of unsecured claim If the claim is fully unsecured, fill in only unsecured claim amount. If claim is partially secured, fill in total claim amount and deduction for value of collateral or setoff to calculate unsecured claim.		
					Total claim, if partially secured	Deduction for value of collateral or setoff	Unsecured claim
1	AMAZON CAPITAL SERVICE PO Box 035184 Seattle, WA 98124-5184		Supplies	Unliquidated			\$963.02
2	C2 Imaging LLC Solutions Center Box 774537 Chicago, IL 60677-4005		Marketing Decoration	Unliquidated			\$13,515.03
3	CLEANING BUILDING SERVICES 1133 Broadway, Suite 412 NEW YORK, NY 10010		Cleaning Madison Store	Unliquidated			\$1,787.91
4	CON EDISON Jaff Station New York, NY 10116-1702		Power Service	Unliquidated			\$3,131.10
5	Custom Channels 2569 Park Lane, Suite 104 Lafayette, CO 80026		Music at the stores	Unliquidated			\$525.00
6	D&L Transfer 553 Calvin Street BERGEN District Washington Township, NJ 07676		Shipping service	Unliquidated			\$3,055.84
7	DAY ELEVATOR AND LIFT 50 Hempstead Gardens Drive West Hempstead, NY 11552		Maintenance	Unliquidated			\$1,633.13
8	Desert Hills Premium Outlets c/o Simon Property Group - Premium Outlets 105 Eisenhower Parkway, 1st Floor Roseland, NJ 07068		Rent	Unliquidated			\$79,030.64

Debtor

Lladro Galleries, Inc.

Name

Case number (if known)

	Name of creditor and complete mailing address, including zip code	Name, telephone number, and email address of creditor contact	Nature of the claim (for example, trade debts, bank loans, professional services, and government contracts)	Indicate if claim is contingent, unliquidated, or disputed	Amount of unsecured claim If the claim is fully unsecured, fill in only unsecured claim amount. If claim is partially secured, fill in total claim amount and deduction for value of collateral or setoff to calculate unsecured claim.		
					Total claim, if partially secured	Deduction for value of collateral or setoff	Unsecured claim
9	FEDEX-NYC PO Box 371461 Pittsburgh, PA 15250-7461		Shipping service	Unliquidated			\$56.05
10	Granite Telecommunications LLC P.O. Box 983119 Boston, MA 02298-3119		Telecommunications	Unliquidated			\$1,337.52
11	Johnson Controls Security Solutions PO Box 321967 Pittsburgh, PA 15250-7967		Security	Unliquidated			\$5,799.60
12	Omni Berkshire Place 21 East 52nd Street New York, NY 10022 Attention: General Manager		Rent	Unliquidated			\$358,547.00
13	Sovereign Service Corp. 307 Seventh Avenue New York, NY 10001		Service technician	Unliquidated			\$2,444.25
14	Williamsburg Outlets L.L.C. c/o Simon Property Group 60 Columbia Rd. Bldg B, 3rd Floor Morristown, NJ 07960		Rent	Unliquidated			\$66,448.91
15	Williamsburg Storage 5151 Mooretown Road Williamsburg, VA 23188		Storage	Unliquidated			\$1,179.00
16	Woodbury Common Premium Outlets Premium Outlet Partners, L.P. c/o Simon Property Group 60 Columbia Rd, Building B, 3rd Floor Morristown, NJ 07960		Rent	Unliquidated			\$67,697.37
17	XPO LAST MILE, Inc. Network Place 29564 Chicago, IL 60673-1564		Shipping Service	Unliquidated			\$150.47
18							
19							
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